

Message Text

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44

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TAGS: BPRO

SUBJECT JANUARY 19 ISCOR MEETING

FOR J.TAYLOR-EXIMBANK FROM KOELINSKI & BIERMAN

REF: STATE 010601

1. MET WITH MGR. FINANCE VAN DER MERWE AND DIVISIONAL G.M. VAN ZYL. THEY WERE UNAWARE OF "SET OFF WAIVER" DISCUSSIONS BUT DID NOT PLACE MUCH IMPORTANCE ON THE CONTROVERSY. SUGGEST EIB STICK WITH STANDARD LANGUAGE.

2. IMPOSSIBLE OBTAIN GOVT. GUARANTEE ON ISCOR OBLIGATIONS. THIS GUARANTEE NOT AVAILABLE TO ANY CREDIT INSURANCE COMPANIES. ISCOR ALLEGES FINANCING FROM U.S. NOT COMPETITIVE WITH THAT OFFERED FROM EUROPE AND JAPAN. VAST RATE DIFFERENTIAL BETWEEN COMMERCIAL RATES OFFERED FROM U.S. AND GOVT. SUPPORTED RATES FROM EUROPE. THEY ARE TIED TO A 6 PERCENT ECGD RATE FOR NEXT TWO YEARS. FURTHER, ISCOR CLAIMS U.S. SUPPLIERS NOT PRICE COMPETITIVE EXCEPT IN CERTAIN AREAS. THEY GREATLY DESIRE DIRECT FINANCING FROM EIB AND WITH IT WOULD NO DOUBT PURCHASE MORE U.S. PRODUCT.

3. NEW COMPANY TO BE FORMED WITH FOLLOWING OWNERSHIP:

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51 PERCENT ISCOR; 26 PERCENT VOEST (AUSTRIA); AND REMAINDER

SPREAD AROUND (MAY INCLUDE 1 U.S. FIRM). COMPANY TO BUILD NEW SEMI'S PLANT AT SALDANHA WITH COST OF \$500 TO 600 MILLION. VOEST HAS CONTRACT FOR CONSTRUCTION (\$60 MILLION) BUT REST WILL GO TO INTERNATIONAL BID ABOUT JUNE. U.S. COMPANIES HAVE GOOD CHANCE TO GET A GOOD SHARE OF BUSINESS IF COMPETITIVE IN PRICE, TERM, AND INTEREST RATE.

4. ISCOR GAVE NO FURTHER DETAILS TO FINANCIAL PICTURE EXCEPT TO SAY SAG HAS GIVEN APPROVAL OF TWO PRICE RISES FOR STEEL. ISCOR STATES GOVT. SUPPORT SHOWN IN INCREASED CAPITALIZATION OF FIRM WHICH KEEPS DEBT/EQUITY RATIO AT ABOUT 1:1.

5. RECOMMEND EIB PROCEED FAVORABLY ON PENDING \$4 MILLION REQUEST. ALTHOUGH FINANCIAL SITUATION NOT AS GOOD AS ONCE WAS, INCREASED STEEL PRICES SHOULD HELP IN 1974. HIGHLY IMPROBABLE SAG WOULD EVEN ALLOW ISCOR TO GET INTO REAL FINANCIAL DIFFICULTY.
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